

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE  
AND THE REGULAR MEETING OF THE COMMISSIONERS  
HELD ON NOVEMBER 14 AND 15, 2004

Pursuant to the call of the Chairman and notice duly given, the meeting of the Committee of the Whole and the regular meeting of the Commissioners of the Virginia Housing Development Authority (the "Authority") were held on November 14 and 15, 2004, at the Norfolk Waterside Marriott, 235 E. Main Street, Norfolk, Virginia.

COMMISSIONERS PRESENT:

Douglas R. Fahl, Chairman  
Jay Fisette, Vice Chairman  
Joan D. Gifford  
Terri M. Ceaser  
Jody M. Wagner  
John P. McCann  
Edward L. McCoy  
Charles McConnell  
Gerald W. Hopkins  
Jack Loeb, Jr.  
William C. Shelton

OTHERS PRESENT:

Susan F. Dewey, Executive Director  
Donald L. Ritenour, Managing Director of Development  
Thomas A. Dolce, Managing Director of Servicing and Compliance  
Arthur N. Bowen, Managing Director of Finance and Administration  
Ronald A. Reger, Managing Director of Information Services  
Tammy N. Taylor, Managing Director of Human Resources  
Russ E. Wyatt, General Auditor  
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications  
J. Judson McKellar, Jr., General Counsel  
John F. Hastings, Director of Multi-Family Development Programs  
Michele G. Watson, Director of Homeownership Programs  
Tammy A. Tyler, Strategic Development Leader  
James M. Chandler, Director of Low Income Housing Tax Credit Programs  
Brenda D. Brophy, Development Officer Manager  
Llewellyn C. Anderson, Business Planning Analyst  
Barry S. Merchant, Policy Analyst  
Paul M. Brennan, Deputy General Counsel

Richard B. Taylor, Governmental Relations Manager  
Basil Gooden, Department of Housing and Community Development  
Neil Walsh, Norfolk Homeless Consortium and Empower Hampton Roads  
Thaler McCormick, Virginia Coalition for the Homeless and For Kids, Inc.

Prior to the commencement of the meeting of the Committee of the Whole on November 14, 2004, Mr. McKellar presented an orientation course on the Conflict of Interests Act and ethics in public contracting.

Chairman Fahl called the meeting of the Committee of the Whole to order at 7:10 p.m. on November 14, 2004. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting of the Committee.

Ms. Dewey, Mr. Ritenour, Mr. Reger, Ms. Taylor and Mr. Bowen reviewed and discussed with the Commissioners the strategic planning purposes and process, the Board's responsibilities in strategic planning, the Authority's new mission, vision and guiding principles, the findings from the housing needs assessment, trends and driving forces, strategic issues affecting the Authority, and the Authority's proposed strategic goals. Upon the conclusion of this presentation and discussion, the meeting of the Committee of the Whole was recessed at approximately 9:30 p.m. on November 14, 2004.

The meeting of the Committee of the Whole was reconvened at 8:10 a.m. on November 15, 2004. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting of the Committee.

Commissioner McCann moved that the Committee convene in closed session (1) in accordance with Section 2.2-3711.A.7 of the Code of Virginia, (a) to consult with legal counsel and to receive briefings by staff members pertaining to probable litigation by Housing Opportunities Made Equal and the Lawyers' Committee for Civil Rights under Law regarding the Authority's Qualified Allocation Plan for the federal Low-Income Housing Tax Credit Program, since such consultation and briefing in open meeting would adversely affect the negotiating or litigating posture of the Authority and (b) to otherwise consult with legal counsel regarding legal matters relating to the Qualified Allocation Plan and requiring the provision of legal advice by such counsel, and (2) in accordance with Section 2.2-3711.A.1 of the Code of Virginia, to discuss and consider the performance and salary of Ms. Dewey, and further moved that Ms. Dewey, Mr. McKellar, Mr. Ritenour, Mr. Chandler, Mr. Brennan, and Mr. Merchant, who are deemed necessary to be present or will reasonably aid the Committee in its consideration of the aforesaid topic described in (1) above, be present during the closed session for such topic and that Ms. Dewey and Ms. Taylor, who are deemed necessary to be present or will reasonably aid the Committee in its consideration of the aforesaid topic described in (2) above, be present during the closed session for such topic. This motion was seconded by Commissioner Hopkins and approved by the affirmative vote of each of the Commissioners present at the meeting.

At the conclusion of the closed meeting, the Commissioners reconvened in an open meeting. Each Commissioner certified, by roll call vote, that to the best of his or her knowledge, only public business matters lawfully exempted from open meeting requirements under the Freedom of Information Act and only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the closed meeting by the Commissioners.

Upon motion duly made and seconded, a resolution to amend the employment contract of Ms. Dewey by (i) extending the term thereof through June 15, 2008 and (ii) revising the provision therein for adjustment of her compensation to provide that her salary may be increased by the Board of Commissioners or a designated committee of the Board at any time at its discretion was approved by the affirmative vote of each of the Commissioners present at the meeting.

Ms. Dewey briefly summarized the report on the Authority performance during the first quarter of fiscal year 2004-2005. There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 9:45 a.m.

Chairman Fahl called the regular meeting of the Board of Commissioners to order at approximately 11:27 a.m. on November 15, 2004. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Fisette who left the meeting as noted below.

In the public comment period of the meeting, Mr. Walsh and Ms. McCormick presented a proposal for an amendment to the Commonwealth's fiscal year 2006 budget to fund a \$2.3 million pilot rental assistance program for homeless families.

On motion duly made and seconded, the minutes of the meeting of the Committee of the Whole and the regular meeting of the Commissioners held on September 20 and 21, 2004 were approved by the affirmative vote of each of the Commissioners present at the meeting.

Mr. Bowen presented a report on the Authority's unaudited financial statements for the periods ended August 31, 2004 and September 30, 2004.

Commissioner McCann, on behalf of the Audit/Operations Committee, reported that the Committee had reviewed and discussed reports on the following matters: reports from the General Auditor on the status of the internal audit schedule, the outstanding audit recommendations, and the audit reports issued since the prior meeting; the policy of KPMG LLP for rotating partners and staff; a report presented by KPMG LLP on its audit of the Authority's annual financial statements for the fiscal year ending June 30, 2004; and the schedule for the Authority's fiscal year 2006 budget. Commissioner McCann reported that the Committee had authorized staff to extend the contract with KPMG LLP for an additional one-year term through June 30, 2006 and that the Authority would issue a request for proposals for the Authority's external auditors in early 2006. Commissioner McCann further reported that the Committee had

met with representatives from KPMG LLP without staff and had received a clean management letter. Commissioner McCann advised the Commissioners that the Committee had given directions to the staff with respect to a presentation by the staff on the Authority's employment benefits at the Board meeting to be held on January 19, 2005.

Commissioner Gifford, on behalf of the Programs Committee, reported that the Committee had reviewed and discussed staff reports on the following matters: the homeownership and multi-family loan production and delinquencies; the proposed 2005 Qualified Allocation Plan for the federal low-income housing tax credits; a proposed reservation of federal low-income housing tax credits; a proposed allocation of \$500,000 in the Virginia Housing Fund for the purchase of single family mortgage loans from Habitat for Humanity; an update on the Housing Choice Voucher Program; and Round 4 of the Single Family SPARC Program. Commissioner Fisette moved that the resolution entitled "Resolution Amending and Restating the Plan of the Virginia Housing Development Authority for the Allocation of Low-Income Housing Tax Credits Including Rules and Regulations" dated November 15, 2004, in the form attached hereto, be approved and further moved that the staff review and analyze the comments relating to issues of compliance with fair housing laws and meet with those who submitted the comments along with other interested stakeholders to further identify common goals and that such comments and subsequent discussion be considered as part of the overall review of the Qualified Allocation Plan for 2006. This motion was seconded by Commissioner Shelton and was approved by the affirmative vote of each of the Commissioners present at the meeting. Upon motion duly made and seconded, the resolution entitled "Resolution Approving and Ratifying Reservation of Federal Low-Income Housing Tax Credits" dated November 15, 2004, in the form attached hereto, was approved by the affirmative vote of each of the Commissioners present at the meeting. Upon motion duly made and seconded, a resolution approving an allocation of \$500,000 in the Virginia Housing Fund for the purchase of single family mortgage loans from Habitat for Humanity was approved by the affirmative vote of each of the Commissioners present at the meeting. At this point, Commissioner Fisette left the meeting.

Ms. Dewey presented her report of operations in which she advised the Commissioners as to the election of Chairman Fahl to the Home Builders of Virginia Hall of Fame. Following this report, Mr. Gooden reviewed the agenda for the Governor's Housing Conference. The Commissioners and staff then discussed the proposal to amend the Commonwealth's fiscal year 2006 budget to fund a \$2.3 million pilot rental assistance program for homeless families.

There being no further business, the meeting was adjourned at approximately 12:15 p.m.

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Douglas R. Fahl, Chairman

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J. Judson McKellar, Jr.  
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE PROGRAMS COMMITTEE  
ON NOVEMBER 15, 2004

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Programs Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on November 15, 2004, at the Norfolk Waterside Marriott, 235 East Main Street, Norfolk, Virginia.

COMMITTEE MEMBERS PRESENT:

Joan D. Gifford, Committee Chairman  
Terri M. Ceaser  
Jay Fisette  
Charles McConnell  
Jack Loeb, Jr.  
William C. Shelton

OTHERS PRESENT:

Susan F. Dewey, Executive Director  
Donald L. Ritenour, Managing Director of Development  
J. Judson McKellar, Jr., General Counsel  
John F. Hastings, Director of Multi-Family Development Programs  
James M. Chandler, Director of Low Income Housing Tax Credit Programs  
Paul M. Brennan, Deputy General Counsel  
Michele G. Watson, Director of Homeownership Programs  
Tammy A. Tyler, Strategic Development Leader  
Herb H. Hill, Managing Director of Policy, Planning and Communication  
Llewellyn C. Anderson, Business Planning Analyst  
Thomas A. Dolce, Managing Director of Servicing and Compliance  
Brenda D. Brophy, Development Officer Manager

Commissioner Gifford called the meeting of the Committee to order at approximately 9:54 a.m. All of the members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting, except Commissioners Shelton, Fisette and Loeb who joined the meeting in progress as noted below and thereafter remained present during the meeting.

On motion duly made and seconded, the minutes of the meeting of the Committee held on September 21, 2004 were approved by the affirmative vote of each of the Commissioners then present at the meeting.

Mr. Ritenour presented reports on homeownership and multi-family loan production. During these reports, Commissioner Shelton joined the meeting.

Mr. Chandler presented the recommended changes to the proposed 2005 Qualified Allocation Plan of the Low Income Housing Tax Credit Program. At this time Commissioners Fisette and Loeb joined the meeting. After a discussion of the proposed changes, Commissioner Fisette moved that the Committee recommend approval of the resolution entitled "Resolution Amending and Restating the Plan of the Virginia Housing Development Authority for the Allocation of Low-Income Housing Tax Credits Including Rules and Regulations" dated November 15, 2004 and further moved that the Committee recommend that the staff review and analyze the comments relating to issues of compliance with fair housing laws and meet with those who submitted the comments along with other interested stakeholders to further identify common goals and that such comments and subsequent discussion be considered as part of the overall review of the Qualified Allocation Plan for 2006. This motion was seconded by Commissioner Shelton and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Ritenour presented a resolution to approve and ratify the reservation of federal low income housing tax credits for Park View at South Pantops. Commissioner Shelton then moved that the Committee recommend approval of the resolution entitled "Resolution Approving and Ratifying Reservation of Federal Low-Income Housing Tax Credits" dated November 15, 2004. The motion was seconded by Commissioner Fisette and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Ritenour presented a report on the proposed allocation of \$500,000 in the Virginia Housing Fund to the Habitat Loan Purchase Program. Commissioner Fisette moved that the Committee recommend approval of the allocation of \$500,000 in the Virginia Housing Fund for the purchase of single family mortgage loans from Habitat for Humanity. The motion was seconded by Commissioner Loeb and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Dolce presented reports on delinquencies and foreclosures in the homeownership and multi-family servicing portfolio and an update on the Housing Choice Voucher Program.

Ms. Watson presented a report on Round 4 of the Single Family SPARC Program.

There being no further business, the meeting was adjourned at approximately 10:42 a.m.

## **Minutes of the Meeting of the Audit/Operations Committee Held on November 15, 2004**

The meeting of the Audit/Operations Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on November 15, 2004 at the Norfolk Waterside Marriott Hotel, 235 East Main Street, Norfolk, Virginia 23510.

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**Committee  
Members  
Present**

John P. McCann (Chairman)  
Douglas R. Fahl  
Jody M. Wagner  
Edward L. McCoy  
Gerald W. Hopkins

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**Others Present**

Arthur N. Bowen, III, Managing Director of Finance & Administration  
Ronald A. Reger, Managing Director of Information Services  
Tammy N. Taylor, Managing Director of Human Resources  
Russ E. Wyatt, General Auditor  
Michelle Edmonds, Sr. Executive Assistant  
Robert Best, KPMG  
Rob Churchman, KPMG  
Kevin Strecker, KPMG

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**Meeting Called  
to Order**

The meeting was called to order at 9:55 a.m. All of the members of the Committee noted above as being present at the meeting were present at that time and remained present throughout the meeting.

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**Approval of  
Minutes**

Commissioner Hopkins moved approval of the minutes of the meeting of the Audit/Operations Committee held on September 21, 2004. Commissioner McCoy seconded this motion. This motion was approved by the affirmative vote of each of the Commissioners then present at the meeting.

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**Internal Audit  
Presentation**

The General Auditor reported on the status of the audit schedule (presently in the 3<sup>rd</sup> year of a five year schedule). Audits in progress include: 1) SF Origination and 2) RS 6000 Operating System. The General Auditor also reported on the audits completed since the last meeting which included: 1) SF Direct Loan Servicing, 2) SF Loan Administration; and 3) Year End Loan/Investment Confirmations. The General Auditor reported that there were two clean reports, where operational deficiencies identified were considered minor and no recommendations were necessary and one standard report, where opportunities for improving controls were identified and addressed, however, the overall degree of compliance with existing practices and procedures and the quality of ongoing operations was found to be satisfactory. The General Auditor indicated that no adverse reports were issued in the time period covered by his report.

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**Internal Audit  
Presentation**  
(cont'd)

The General Auditor also reported on outstanding audit recommendations that have not yet been fully addressed by management. This report included only one issue, which involved Audit's recommendation to rewrite the retiree healthcare plan. Audit recommended that the retiree healthcare plan be rewritten to address certain inconsistencies and other issues identified in the plan document as well as to ensure plan solvency over the long term. The General Auditor reported that the plan development team has developed a basic plan and actuarial studies have been performed. The team is now ready to present the plan to the Leadership Team for approval. Once approval has been obtained from the Leadership Team, the plan will be presented to the Audit/Operations Committee for approval and the plan will be given additional structure (specifics will be added). A completion date is expected in time for 2006 open enrollment.

The General Auditor also reported on the audit of SF Loan Administration, indicating that there was one issue addressed with management. Audit's concern pertains to the fact that unrestricted earnings retained in the various checking accounts controlled by Loan Administration is not being invested and no policies have been established to transfer funds in excess of working capital needs to the general fund to be invested. It was Audit's recommendation that management determine the amounts necessary to adequately fund operations and establish a policy to transfer to the general fund on a regular basis all amounts in excess of these established working capital needs. Management responded by transferring \$5.5 million to the general fund and has agreed to establish ongoing controls.

The General Auditor also advised the Committee that KPMG's 2005 audit would be its last under the existing contract unless VHDA exercises its option to extend the contract one additional year. Results of a survey with other HFA's regarding their external auditor requirements were shared with the Committee. Of 12 respondents, only one requires a rotation policy (Connecticut). The General Auditor also reported that the contractual price established in the existing contract with KPMG for the 2006 audit is extremely reasonable and performing an RFP prior to exercising the option for that year could result in a higher cost for the audit.

After discussion, the Committee agreed to recommend to the Board that the KPMG contract be extended for a period of one year and that the General Auditor begin the RFP process in January, 2006 for the 2007 audit. The General Auditor will establish rating criteria for firms submitting proposals. Commissioner Fahl moved approval of this recommendation and was seconded by Commissioner Wagner. This motion was approved by the affirmative vote of each of the Commissioners then present at the meeting.

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<b>External Audit Presentation- KPMG</b>	Robert Best and Rob Churchman of KPMG, VHDA's external auditors, reported the results of their recently completed audit of VHDA's financial statements for the fiscal year ending June 30, 2004. The reports presented by KPMG included their management letter and single audit report, which indicated that they noted no matters involving internal control and its operation that were considered to be material weaknesses. At the request of Chairman McCann, the staff left the meeting, and the Committee further consulted with the KPMG auditors regarding the results of their audit.
<b>2004 Compensation Report</b>	Tammy Taylor provided a handout with the FY '04 Performance Management and related Compensation Summary with percentages as requested in September. The percentages are in line with VHDA's performance-based compensation system. In January, the Committee will be provided with an extensive presentation of total compensation including benefits. Tammy will provide Commissioner McCann a draft of what the presentation will look like in early January. If there are any items that Commissioners would like to see covered at the January presentation, not already discussed, please advise Tammy Taylor.
<b>FY 2006 Budget Development Calendar Overview</b>	Art Bowen reviewed the calendar for development and approval of the VHDA operating budget for FY 2006. The proposed budget will be presented to the full Board at the May 2005 meeting.
<b>Direction for January Benefits Presentation</b>	Tammy Taylor handed out a benefits summary and compensation philosophy approved by the Board in March 2004. HR will begin developing the presentation for January.
<b>Adjournment</b>	There being no further business, Commissioner McCann adjourned the meeting at 11:20 a.m.

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Arthur N. Bowen, III  
Managing Director of Finance &  
Administration

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John P. McCann  
Chairman